

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

P.O. Box 13528 • AUSTIN, TX 78711-3528



June 2, 2011

Mr. Paul Clore  
Superintendent  
Gregory-Portland Independent School District  
608 College Street  
Portland, Texas 78374

Dear Superintendent Clore:

On May 11, 2011, the agency received the completed application for a limitation on appraised value originally submitted to the Gregory-Portland Independent School District (Gregory-Portland ISD) by TPCO America Corporation (TPCO America) on April 19, 2011, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding TPCO America's application as required by Section 313.025(d), using the criteria set out by Section 313.026. Our review assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Filing an application containing false information is a criminal offense under Texas Penal Code Chapter 37.

According to the provisions of Chapter 313, Gregory-Portland ISD is currently classified as a rural school district in Category 2. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$819,775,000) is consistent with the proposed appraised value limitation sought (\$20 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

TPCO America is proposing the construction of a manufacturing facility in San Patricio County. TPCO America is an active franchise taxpayer, as required by Tax Code Section 313.024(a), and is in good standing. After reviewing the application using the criteria listed in Section 313.026, and the information provided by TPCO America, the Comptroller's recommendation is that TPCO America's application under Tax Code Chapter 313 be approved.

Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. Chapter 313 places the responsibility to verify that all requirements of the statute have been fulfilled on the school district. Section 313.025 requires the school district to determine if the evidence supports making specific findings that the information in the application is true and correct, the applicant is eligible for a limitation and that granting the application is in the best interest of the school district and state. As stated above, we prepared the recommendation by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria.

Mr. Paul Clore  
June 2, 2011  
Page Two

The Comptroller's recommendation is based on the final, completed application that has been submitted to this office, and may not be used to support an approval if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. This recommendation is contingent on the following:

1. No later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, applicant submitting to this office a draft limitation agreement that complies with the statutes, the Comptroller's rules, and is consistent with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district approving and executing a limitation agreement that has been reviewed by this office within a year from the date of this letter. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), the signed limitation agreement must be forwarded to our office as soon as possible after execution.

During the 81st Legislative Session, House Bill 3676 made a number of changes to the chapter. Please visit our Web site at [www.window.state.tx.us/taxinfo/proptax/hb1200](http://www.window.state.tx.us/taxinfo/proptax/hb1200) to find an outline of the program and links to applicable rules and forms.

Should you have any questions, please contact Robert Wood, director of Local Government Assistance and Economic Development, by e-mail at [robert.wood@cpa.state.tx.us](mailto:robert.wood@cpa.state.tx.us) or by phone at (800) 531-5441, ext. 3-3973, or direct in Austin at (512) 463-3973.

Sincerely,



Martin A. Hubert  
Deputy Comptroller

Enclosure

cc: Robert Wood

**Economic Impact for Chapter 313 Project**

Applicant	TPCO America Corporation
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Gregory-Portland ISD
2009-10 Enrollment in School District	4,193
County	San Patricio
Total Investment in District	\$820,575,000
Qualified Investment	\$819,775,000
Limitation Amount	\$20,000,000
Number of total jobs committed to by applicant	400 to 600
Number of qualifying jobs committed to by applicant	480
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$972
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$972
Minimum Annual Wage committed to by applicant for qualified jobs	\$50,564
Investment per Qualifying Job	\$1,709,531
Estimated 15 year M&O levy without any limit or credit:	\$95,864,616
Estimated gross 15 year M&O tax benefit	\$63,293,062
Estimated 15 year M&O tax benefit ( <i>after</i> deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$56,294,015
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$2,858,798
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$39,570,601
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	58.7%
Percentage of tax benefit due to the limitation	95.5%
Percentage of tax benefit due to the credit.	4.5%

This presents the Comptroller's economic impact evaluation of TPCO America (the project) applying to Gregory-Portland Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
  - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
  - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

**Wages, salaries and benefits [313.026(6-8)]**

After construction, the project will create up to 600 new jobs when fully operational. 480 of these jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Coastal Bend Council of Governments Region, where San Patricio County is located was \$45,967 in 2009. The annual average manufacturing wage for 2010 for San Patricio County is \$70,512. That same year, the county annual average wage for all industries was \$38,883. In addition to a salary of \$50,564, each qualifying position will receive benefits such as medical insurance coverage, paid holidays, paid vacation, and a 401(k) retirement savings plan. The project's total investment is \$820.6 million, resulting in a relative level of investment per qualifying job of \$1.7 million.

**Ability of applicant to locate to another state and [313.026(9)]**

According to TPCO America's application, "TPCO has the ability to locate a new facility in many countries around the world as well as numerous locations in the United States. TPCO selected the Gregory area over 33 Texas, U.S., and international locations. The selection of Gregory was featured in the Comptroller's *Texas Rising* publication for March/April 2009."

**Number of new facilities in region [313.026(12)]**

During the past two years, three projects in the Coastal Bend Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

**Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]**

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the TPCO America project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

**Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]**

Table 1 depicts TPCO America's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

**Table 1: Estimated Statewide Economic Impact of Investment and Employment in TPCO America**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2011	100	125	225	\$6,500,000	\$6,500,000	\$13,000,000
2012	1200	2971	4171	\$78,000,000	\$169,000,000	\$247,000,000
2013	1020	1722	2742	\$66,011,280	\$121,988,720	\$188,000,000
2014	100	367	467	\$5,056,400	\$51,943,600	\$57,000,000
2015	400	797	1197	\$20,225,600	\$80,774,400	\$101,000,000
2016	600	1151	1751	\$30,338,400	\$110,661,600	\$141,000,000
2017	600	1185	1785	\$30,338,400	\$120,661,600	\$151,000,000
2018	600	1230	1830	\$30,338,400	\$131,661,600	\$162,000,000
2019	600	1269	1869	\$30,338,400	\$143,661,600	\$174,000,000
2020	600	1307	1907	\$30,338,400	\$155,661,600	\$186,000,000
2021	600	1349	1949	\$30,338,400	\$167,661,600	\$198,000,000
2022	600	1342	1942	\$30,338,400	\$177,661,600	\$208,000,000
2023	600	1358	1958	\$30,338,400	\$188,661,600	\$219,000,000
2024	600	1382	1982	\$30,338,400	\$200,661,600	\$231,000,000
2025	600	1415	2015	\$30,338,400	\$215,661,600	\$246,000,000
2026	600	1451	2051	\$30,338,400	\$230,661,600	\$261,000,000

Source: CPA, REMI, TPCO America Corporation

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Gregory-Portland ISD's ad valorem tax base in 2010 was \$1.1 billion. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Gregory-Portland ISD's estimated wealth per WADA was \$215,905. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, San Patricio County, and San Patricio County Drainage District, with all property tax incentives sought being granted using estimated market value from TPCO America's application. TPCO America has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and drainage district. Table 3 illustrates the estimated tax impact of the TPCO America project on the region if all taxes are assessed.

Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought										
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Gregory-Portland ISD I&S Levy	Gregory-Portland ISD M&O Levy	Gregory-Portland ISD M&O and I&S Tax Levies (Before Credit Credited)	Gregory-Portland ISD M&O and I&S Tax Levies (After Credit Credited)	San Patricio County	San Patricio County Drainage District	Estimated Total Property Taxes
			Tax Rate <sup>1</sup>	0.2000	1.1700			0.5245	0.0764	
2012	\$252,580	\$252,580		\$505	\$2,955	\$3,460	\$3,460	\$1,325	\$193	\$4,978
2013	\$264,341,704	\$264,341,704		\$528,683	\$3,092,798	\$3,621,481	\$3,621,481	\$0	\$0	\$3,621,481
2014	\$738,050,080	\$20,000,000		\$1,476,100	\$234,000	\$1,710,100	\$1,710,100	\$0	\$0	\$1,710,100
2015	\$721,160,320	\$20,000,000		\$1,442,321	\$234,000	\$1,676,321	\$1,676,321	\$0	\$0	\$1,676,321
2016	\$704,661,790	\$20,000,000		\$1,409,324	\$234,000	\$1,643,324	\$1,643,324	\$0	\$0	\$1,643,324
2017	\$680,431,540	\$20,000,000		\$1,360,863	\$234,000	\$1,594,863	\$1,594,863	\$0	\$0	\$1,594,863
2018	\$657,142,240	\$20,000,000		\$1,314,284	\$234,000	\$1,548,284	\$1,548,284	\$517,007	\$75,312	\$1,732,204
2019	\$631,885,720	\$20,000,000		\$1,263,771	\$234,000	\$1,497,771	\$1,497,771	\$994,272	\$144,836	\$2,228,480
2020	\$607,636,570	\$20,000,000		\$1,215,273	\$234,000	\$1,449,273	\$1,449,273	\$1,434,174	\$208,916	\$2,683,964
2021	\$584,353,480	\$20,000,000		\$1,168,707	\$234,000	\$1,402,707	\$1,402,707	\$1,838,960	\$267,882	\$3,101,149
2022	\$561,996,580	\$561,996,580		\$1,123,993	\$6,575,360	\$7,699,353	\$7,699,353	\$2,210,754	\$322,041	\$10,232,148
2023	\$540,527,890	\$540,527,890		\$1,081,056	\$6,324,176	\$7,405,232	\$7,405,232	\$2,835,069	\$412,985	\$10,653,286
2024	\$519,910,960	\$519,910,960		\$1,039,822	\$6,082,958	\$7,122,780	\$7,122,780	\$2,726,933	\$397,233	\$10,246,946
2025	\$500,110,960	\$500,110,960		\$1,000,222	\$5,851,298	\$6,851,520	\$6,851,520	\$2,623,082	\$382,105	\$9,856,707
2026	\$481,094,500	\$481,094,500		\$962,189	\$5,628,806	\$6,590,995	\$6,590,995	\$2,523,341	\$367,575	\$9,481,911
						Total	\$48,958,667	\$17,704,917	\$2,579,078	\$69,242,662
Assumes School Value Limitation and Tax Abatement with the county and drainage district.										

Source: CPA, TPCO America Corporation

<sup>1</sup>Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives										
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Gregory-Portland ISD I&S Levy	Gregory-Portland ISD M&O Levy		Gregory-Portland ISD M&O and I&S Tax Levies	San Patricio County	San Patricio County Drainage District	Estimated Total Property Taxes
			Tax Rate <sup>1</sup>	0.2000	1.1700			0.5245	0.0764	
2012	\$252,580	\$252,580		\$505	\$2,955		\$3,460	\$1,325	\$193	\$4,978
2013	\$264,341,704	\$264,341,704		\$528,683	\$3,092,798		\$3,621,481	\$1,386,472	\$201,968	\$5,209,921
2014	\$738,050,080	\$738,050,080		\$1,476,100	\$8,635,186		\$10,111,286	\$3,871,073	\$563,900	\$14,546,259
2015	\$721,160,320	\$721,160,320		\$1,442,321	\$8,437,576		\$9,879,896	\$3,782,486	\$550,995	\$14,213,378
2016	\$704,661,790	\$704,661,790		\$1,409,324	\$8,244,543		\$9,653,867	\$3,695,951	\$538,390	\$13,888,207
2017	\$680,431,540	\$680,431,540		\$1,360,863	\$7,961,049		\$9,321,912	\$3,568,863	\$519,877	\$13,410,652
2018	\$657,142,240	\$657,142,240		\$1,314,284	\$7,688,564		\$9,002,849	\$3,446,711	\$502,083	\$12,951,643
2019	\$631,885,720	\$631,885,720		\$1,263,771	\$7,393,063		\$8,656,834	\$3,314,241	\$482,786	\$12,453,861
2020	\$607,636,570	\$607,636,570		\$1,215,273	\$7,109,348		\$8,324,621	\$3,187,054	\$464,259	\$11,975,933
2021	\$584,353,480	\$584,353,480		\$1,168,707	\$6,836,936		\$8,005,643	\$3,064,934	\$446,469	\$11,517,046
2022	\$561,996,580	\$561,996,580		\$1,123,993	\$6,575,360		\$7,699,353	\$2,947,672	\$429,388	\$11,076,413
2023	\$540,527,890	\$540,527,890		\$1,081,056	\$6,324,176		\$7,405,232	\$2,835,069	\$412,985	\$10,653,286
2024	\$519,910,960	\$519,910,960		\$1,039,822	\$6,082,958		\$7,122,780	\$2,726,933	\$397,233	\$10,246,946
2025	\$500,110,960	\$500,110,960		\$1,000,222	\$5,851,298		\$6,851,520	\$2,623,082	\$382,105	\$9,856,707
2026	\$481,094,500	\$481,094,500		\$962,189	\$5,628,806		\$6,590,995	\$2,523,341	\$367,575	\$9,481,911
						Total	\$112,251,730	\$42,975,206	\$6,260,205	\$161,487,141

Source: CPA, TPCO America Corporation

<sup>1</sup>Tax Rate per \$100 Valuation

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$95,864,616. The estimated gross 15 year M&O tax benefit, or levy loss, is \$63,293,062.

Attachment 3 is an economic overview of San Patricio County.

**Disclaimer:** This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

# Attachments

1. Schedules A, B, C, and D provided by applicant in application
2. School finance and tax benefit provided by district
3. County Economic Overview

# **Attachment 1**

PROPERTY INVESTMENT AMOUNTS

(Estimated investment in each year. Do not put cumulative totals.)

	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)	2011-2012	2011	\$ -	\$ -	\$ -	\$ -
Tax Credit Period (with 50% cap on credit)	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	2012-2013	2012	\$ -	\$ -	\$ -	\$ -
Credit Settle-Up Period	Complete tax years of qualifying time period	2012-2013	2012	\$ -	\$ -	\$ -	\$ -
Credit Settle-Up Period	Continue to Maintain Viable Presence	2012-2013	2012	\$ -	\$ -	\$ -	\$ -
Credit Settle-Up Period	Post-Settle-Up Period	2012-2013	2012	\$ -	\$ -	\$ -	\$ -

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D).

For the purposes of investment, please list amount invested each year, not cumulative totals.

[For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property]

Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period.

The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E).

For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings.

Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value-for planning, construction and operation of the facility.

The most significant example for many projects would be land. Other examples may be items such as professional services, etc.

Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed.

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application,

replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter

those amounts for future years.



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

4/18/2011

**Schedule B (Rev. May 2010): Estimated Market And Taxable Value**  
**TPCO America Corporation**

Applicant Name  
 ISD Name

Gregory-Portland ISD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	
				Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"		Final taxable value for I&S - after all reductions	Final taxable value for M&O--after all reductions
	pre- year 1	2011-2012	2011	\$ 252,580	\$ -	\$ -	\$ -	\$ 252,580	\$ 252,580
	1	2012-2013	2012	\$ 252,580	\$ -	\$ -	\$ -	\$ 252,580	\$ 252,580
	2	2013-2014	2013	\$ 252,580	\$ 141,697,640	\$ 151,734,720	\$ 29,343,236	\$ 264,341,704	\$ 264,341,704
	3	2014-2015	2014	\$ 252,580	\$ 345,604,000	\$ 474,171,000	\$ 81,977,500	\$ 738,050,080	\$ 20,000,000
	4	2015-2016	2015	\$ 252,580	\$ 338,691,900	\$ 462,316,700	\$ 80,100,860	\$ 721,160,320	\$ 20,000,000
	5	2016-2017	2016	\$ 252,580	\$ 331,918,100	\$ 450,758,800	\$ 78,267,690	\$ 704,661,790	\$ 20,000,000
	6	2017-2018	2017	\$ 252,580	\$ 325,279,700	\$ 430,474,700	\$ 75,575,440	\$ 680,431,540	\$ 20,000,000
	7	2018-2019	2018	\$ 252,580	\$ 318,774,100	\$ 411,103,300	\$ 72,987,740	\$ 657,142,240	\$ 20,000,000
	8	2019-2020	2019	\$ 252,580	\$ 309,210,900	\$ 392,603,700	\$ 70,181,460	\$ 631,885,720	\$ 20,000,000
	9	2020-2021	2020	\$ 252,580	\$ 299,934,600	\$ 374,936,500	\$ 67,487,110	\$ 607,636,570	\$ 20,000,000
	10	2021-2022	2021	\$ 252,580	\$ 290,936,600	\$ 358,064,400	\$ 64,900,100	\$ 584,353,480	\$ 20,000,000
	11	2022-2023	2022	\$ 252,580	\$ 282,208,500	\$ 341,951,500	\$ 62,416,000	\$ 561,996,580	\$ 561,996,580
	12	2023-2024	2023	\$ 252,580	\$ 273,742,200	\$ 326,563,700	\$ 60,030,590	\$ 540,527,890	\$ 540,527,890
	13	2024-2025	2024	\$ 252,580	\$ 265,529,900	\$ 311,868,300	\$ 57,739,820	\$ 519,910,960	\$ 519,910,960
	14	2025-2026	2025	\$ 252,580	\$ 257,564,000	\$ 297,834,200	\$ 55,539,820	\$ 500,110,960	\$ 500,110,960
	15	2026-2027	2026	\$ 252,580	\$ 249,837,100	\$ 284,431,700	\$ 53,426,880	\$ 481,094,500	\$ 481,094,500

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

4/18/2011

DATE

**Schedule C- Application: Employment Information**

Applicant Name  
ISD Name

TPCO America Corporation  
Gregory-Portland ISD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man- hours (specify [FTE])	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
	pre-year 1	2011-2012	2011	100	\$ 65,000	0	\$ -	0	\$ -
	1	2012-2013	2012	1,200	\$ 65,000	0	\$ -	0	\$ -
	2	2013-2014	2013	1,000	\$ 65,000	20	\$ 50,564	16	\$ 50,564
	3	2014-2015	2014	0		100	\$ 50,564	80	\$ 50,564
	4	2015-2016	2015	0		400	\$ 50,564	320	\$ 50,564
	5	2016-2017	2016	0		600	\$ 50,564	480	\$ 50,564
	6	2017-2018	2017	0		600	\$ 50,564	480	\$ 50,564
	7	2018-2019	2018	0		600	\$ 50,564	480	\$ 50,564
	8	2019-2020	2019	0		600	\$ 50,564	480	\$ 50,564
	9	2020-2021	2020	0		600	\$ 50,564	480	\$ 50,564
	10	2021-2022	2021	0		600	\$ 50,564	480	\$ 50,564
	11	2022-2023	2022	0		600	\$ 50,564	480	\$ 50,564
	12	2023-2024	2023	0		600	\$ 50,564	480	\$ 50,564
	13	2024-2025	2024	0		600	\$ 50,564	480	\$ 50,564
	14	2025-2026	2025	0		600	\$ 50,564	480	\$ 50,564
	15	2026-2027	2026	0		600	\$ 50,564	480	\$ 50,564
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period								
	Value Limitation Period								
Credit Settle-Up Period	Continue to Maintain Viable Presence								
	Post- Settle-Up Period								
Post- Settle-Up Period									

Notes: For job definitions see TAC §9.1051(14) and Tax Code §313.021(3).

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

4/18/2011

DATE

## Applicant

TPCO America Corporation

Gregory-Portland ISD

Form 50-296

[illegible]

\*For planning, construction and operation of the facility.

  
SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

4/18/2011

DATE \_\_\_\_\_

# **Attachment 2**



# TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • [www.tea.state.tx.us](http://www.tea.state.tx.us)

Robert Scott  
Commissioner

June 6, 2011

Mr. Robert Wood  
Director, Local Government Assistance and Economic Development  
Texas Comptroller of Public Accounts  
Lyndon B. Johnson State Office Building  
111 East 17th Street  
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency has analyzed the revenue gains that would be realized by the proposed TPCO America Corporation project for the Gregory-Portland Independent School District (GPISD). Projections prepared by our Forecasting and Fiscal Analysis Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the TPCO America Corporation project on GPISD are correct.

Please feel free to contact Helen Daniels by phone at (512) 463-9268 or by email at [helen.daniels@tea.state.tx.us](mailto:helen.daniels@tea.state.tx.us) if you need further information regarding this issue.

Sincerely,

Helen Daniels  
Director, State Funding

HD/bd



# TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • [www.tea.state.tx.us](http://www.tea.state.tx.us)

Robert Scott  
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June 6, 2011

Mr. Robert Wood  
Director, Local Government Assistance and Economic Development  
Texas Comptroller of Public Accounts  
Lyndon B. Johnson State Office Building  
111 East 17th Street  
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed TPCO America Corporation project on the number and size of school facilities in Gregory-Portland Independent School District (GPISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the GPISD superintendent, Dr. Paul Clore, the TEA has found that although the GPISD has some additional capacity, the impact of the TPCO America Corporation project on the number or size of school facilities in GPISD is unknown at this point. The relatively large number of employees estimated to be required for the project and the range of accommodation options available in the greater Corpus Christi metropolitan area prevent the TEA from drawing a firm conclusion at this time.

Please feel free to contact Helen Daniels by phone at (512) 463-9268 or by email at [helen.daniels@tea.state.tx.us](mailto:helen.daniels@tea.state.tx.us) if you need further information regarding this issue.

Sincerely,

Helen Daniels  
Director, State Funding

HD/bd

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED TPCO  
AMERICA CORPORATION PROJECT ON THE FINANCES OF THE  
GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT  
UNDER A REQUESTED CHAPTER 313 PROPERTY VALUE  
LIMITATION**

**May 18, 2011**

**Final Report**

**PREPARED BY**



# **Estimated Impact of the Proposed TPCO America Corporation Project on the Finances of the Gregory-Portland Independent School District under a Requested Chapter 313 Property Value Limitation**

## **Introduction**

TPCO America Corporation (TPCO) has requested that the Gregory-Portland Independent School District (G-PISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new seamless steel pipe manufacturing mill. An application was submitted to G-PISD on April 18, 2011. TPCO proposes to invest \$738 million to construct the new seamless pipe manufacturing project in G-PISD.

The TPCO project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, the original language in Chapter 313 of the Tax Code made companies engaged in manufacturing, research and development, and renewable electric energy production eligible to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others. Given that this project is a large manufacturing facility, it is clear that it is consistent with the goals of Chapter 313 as originally passed in 2001 and as amended in later legislative sessions.

## **School Finance Mechanics**

Under the provisions of Chapter 313, G-PISD may offer a minimum value limitation of \$20 million. Based on the application, the qualifying time period would begin with the 2012-13 school year. The full taxable value of the investment is expected to reach \$738 million in 2014-15, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

The provisions of Chapter 313 call for the project to be fully taxable in the 2012-13 and 2013-14 school years, unless the District and the Company agree to an extension of the start of the qualifying time period. For the purpose of this analysis, the qualifying time period is assumed to be the 2012-13 and 2013-14 school years. Beginning in 2014-15, the project would go on the local tax roll at \$20 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes. The full taxable value of the project would be assessed for debt service taxes on voter-approved bond issues throughout the limitation period and thereafter, with G-PISD currently levying a \$0.20 I&S tax rate.

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct their property value study and now the planned audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation periods (and thereafter). The school funding formulas use the Comptroller's property

values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

For the school finance system that operated prior to the approval of House Bill 1 (HB 1) in the 2006 special session, the third year was typically problematical for a school district that approved a Chapter 313 value limitation. Based on the data provided in the application, TPCO indicates that \$264.3 million in taxable value would be in place in the second year under the agreement. In year three (2014-15) of the agreement, the project is expected to go on the tax roll at \$20 million or, if applicable, a higher value limitation amount approved by the G-PISD Board of Trustees.

This difference would result in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant in the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses are anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study.

HB 1 established a “target” revenue system per student that has the effect of largely neutralizing the third-year revenue losses associated with Chapter 313 property value limitations, at least up to a district’s compressed M&O tax rate. The initial six of 17 cents of tax effort that a district may levy above the compressed tax rate are subject to an enriched level of equalization (or no recapture in the case of Chapter 41 school district) and operate more like the pre-HB 1 system. A value limitation must be analyzed for any potential revenue loss associated with this component of the M&O tax levy. For tax effort in excess of the compressed plus six cents rate, equalization and recapture occur at the level of \$319,500 per weighted student in average daily attendance (WADA).

Under HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point is the target revenue provisions from HB 1, that are then expanded through the addition of a series of school funding provisions that had operated previously outside the basic allotment and the traditional formula structure, as well as an additional \$120 per WADA guarantee.

Under the provisions of HB 3646, school districts do have the potential to earn revenue above the \$120 per WADA level, up to a maximum of \$350 per WADA above current law. Initial estimates indicate that about 800 school districts are funded at the minimum \$120 per WADA level, while approximately 200 school districts are expected to generate higher revenue amounts per WADA. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district’s base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system. There are several years under this analysis where G-PISD becomes a formula district.

The school finance system is the subject of current legislative debate for 2011-12 and subsequent years. To the extent any statutory changes are made prior to Board action on this application, updates will be prepared to reflect any funding changes that are made.

One key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the TPCO project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each

of those years. This meets the statutory requirement under Section 313.027(f) (1) of the Tax Code to provide school district revenue protection language in the agreement.

### **Underlying Assumptions**

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. While the target revenue system appears to limit the impact of property value changes for a majority of school districts, changes in underlying property value growth have the potential to influence the revenue stream of a number of school districts.

Student enrollment counts are held constant at 4,058 students in average daily attendance (ADA) in analyzing the effects of the TPCO project on the finances of G-PISD. The District's local tax base reached \$1.1 billion for the 2010 tax year. The underlying \$1.1 billion taxable value for 2010-11 is maintained for the forecast period in order to isolate the effects of the property value limitation. G-PISD is a moderate-wealth district, with wealth per WADA of approximately \$214,868 for the 2010-11 school year. These assumptions are summarized in Table 1.

### **School Finance Impact**

A baseline model was prepared for G-PISD under the assumptions outlined above through the 2025-26 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88<sup>th</sup> percentile or Austin ISD yield that influence future state funding. In the analyses for other districts and applicants on earlier projects, these changes appear to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed TPCO facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A third model is developed which adds the TPCO value, but imposes the proposed property value limitation effective in the third year, which in this case is the 2014-15 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3). An M&O tax rate of \$1.1700 is used throughout this analysis.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$30 million a year in net General Fund revenue, after recapture and other adjustments have been made, where appropriate.

Under these assumptions, G-PISD would experience a revenue loss as a result of the implementation of the value limitation in the 2014-15 school year (-\$5,390,176). The revenue reduction results from the mechanics of tax effort both in the compressed and enrichment tiers, assuming the same adopted M&O tax rate for both models. It appears that much smaller

differences persist between the two models over the course of the agreement, as a result of reductions in tax effort and in part due to deductions made in state property value study that do not sufficiently offset the reduction in M&O taxes resulting from the impact of the value limitation agreement.

One change that has been incorporated into these models is a more precise estimate of the deduction from the property value study conducted by the Comptroller's Office. At the school district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect.

Under the property value study conducted by the Comptroller's Office, however, only a single deduction amount is calculated for a property value limitation and the same value is assigned for the M&O and I&S calculations under the school funding formulas. A "composite" value for a school district with a Chapter 313 agreement is calculated, by averaging the impact of the value reduction across the M&O and I&S tax levies. The result of the composite deduction calculation is that the amount deducted for the value limitation from the state value study is always less than the tax benefit that has been provided for the taxpayer receiving the value limitation in school districts that levy M&O taxes. This methodology is currently under review by the Comptroller's Office.

### **Impact on the Taxpayer**

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.1700 per \$100 of taxable value M&O rate is assumed in 2010-11 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$60.4 million over the life of the agreement. In addition, TPCO would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the first two years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years. The tax credits are expected to total approximately \$2.9 million over the life of the agreement, with no unpaid tax credits anticipated. The key G-PISD revenue losses are associated with reduced local tax collections not fully offset by the state funding formulas that are estimated to be approximately \$7 million over the course of the agreement, with the school district to be reimbursed by the state for the tax credit payments. These reductions are to be offset through the revenue protection provisions of the value limitation agreement. In total, the potential net tax benefits are estimated to total \$56.3 million over the life of the agreement.

### **Facilities Funding Impact**

The TPCO project remains fully taxable for debt services taxes, with G-PISD currently levying a \$0.20 I&S rate. The value of the TPCO project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's projected wealth per ADA that is currently below what is provided for through the state's facilities program. The additional value is expected to help reduce the District's current \$0.20 I&S tax rate to \$0.135 per \$100 in 2014-15—a reduction of 6.5 cents of tax effort—with the rate reduction diminishing as the project value depreciates.

The TPCO project anticipates up to 1,200 construction workers will be on site in 2012 and 1,000 in 2013. When the plant becomes fully operational, 600 employees are anticipated in 2016. The pattern of similar projects appears to be that many of the construction workers commute and do not relocate their families. The Gregory-Portland ISD area is also accessible from much of the greater Corpus Christi metropolitan area, where there are a number of housing options. Currently, G-PISD has capacity for approximately 56 elementary school students and 110 junior and high school students spread across all of its campuses. A large-scale influx of families to the area during construction or, in the longer-term, the operational phase of the project, could create the need for additional school facilities.

## Conclusion

The proposed TPCO seamless pipe manufacturing project enhances the tax base of G-PISD. It reflects continued capital investment in manufacturing, a primary goal of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$56.3 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District. The additional taxable value also enhances the tax base of G-PISD in meeting its future debt service obligations.

**Table 1 – Base District Information with TPCO America Corporation Project Value and Limitation Values**

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
1	2012-13	4,099.03	5,216.97	\$1.1700	\$0.1750	\$1,112,988,059	\$1,112,988,059	\$1,120,960,858	\$1,120,960,858	\$214,868	\$214,868
2	2013-14	4,099.03	5,216.97	\$1.1700	\$0.1450	\$1,377,077,183	\$1,377,077,183	\$1,153,893,805	\$1,153,893,805	\$221,181	\$221,181
3	2014-15	4,099.03	5,216.97	\$1.1700	\$0.1350	\$1,850,785,559	\$1,132,735,479	\$1,416,438,284	\$1,416,438,284	\$271,506	\$271,506
4	2015-16	4,099.03	5,216.97	\$1.1700	\$0.1370	\$1,833,895,799	\$1,132,735,479	\$1,889,208,551	\$1,245,439,513	\$362,128	\$238,729
5	2016-17	4,099.03	5,216.97	\$1.1700	\$0.1390	\$1,817,397,269	\$1,132,735,479	\$1,872,223,129	\$1,244,558,574	\$358,872	\$238,560
6	2017-18	4,099.03	5,216.97	\$1.1700	\$0.1410	\$1,793,167,019	\$1,132,735,479	\$1,855,627,475	\$1,243,668,503	\$355,691	\$238,389
7	2018-19	4,099.03	5,216.97	\$1.1700	\$0.1430	\$1,769,877,719	\$1,132,735,479	\$1,831,298,736	\$1,241,897,590	\$351,027	\$238,050
8	2019-20	4,099.03	5,216.97	\$1.1700	\$0.1450	\$1,744,621,199	\$1,132,735,479	\$1,807,909,676	\$1,240,159,165	\$346,544	\$237,716
9	2020-21	4,099.03	5,216.97	\$1.1700	\$0.1470	\$1,783,789,950	\$1,196,153,380	\$1,782,552,217	\$1,238,136,786	\$341,684	\$237,329
10	2021-22	4,099.03	5,216.97	\$1.1700	\$0.1490	\$1,758,838,502	\$1,194,485,022	\$1,814,540,402	\$1,292,494,247	\$347,815	\$247,748
11	2022-23	4,099.03	5,216.97	\$1.1700	\$0.1510	\$1,734,846,611	\$1,734,846,611	\$1,789,588,954	\$1,288,987,308	\$343,032	\$247,076
12	2023-24	4,099.03	5,216.97	\$1.1700	\$0.1530	\$1,711,775,630	\$1,711,775,630	\$1,765,597,063	\$1,765,597,063	\$338,434	\$338,434
13	2024-25	4,099.03	5,216.97	\$1.1700	\$0.1550	\$1,689,588,455	\$1,689,588,455	\$1,742,526,083	\$1,742,526,083	\$334,011	\$334,011
14	2025-26	4,099.03	5,216.97	\$1.1700	\$0.1570	\$1,668,249,615	\$1,668,249,615	\$1,720,338,907	\$1,720,338,907	\$329,758	\$329,758
15	2026-27	4,099.03	5,216.97	\$1.1700	\$0.1590	\$1,647,725,092	\$1,647,725,092	\$1,699,000,067	\$1,699,000,067	\$325,668	\$325,668

\*Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$476,500 per WADA

**Table 2--“Baseline Revenue Model”--Project Value Added with No Value Limitation**

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2012-13	\$10,799,100	\$14,927,904	\$605,433	\$0	\$0	\$1,835,215	\$1,738,586	\$0	\$29,906,239
2	2013-14	\$13,417,448	\$14,598,558	\$0	\$0	\$0	\$2,280,181	\$2,033,394	\$0	\$32,329,582
3	2014-15	\$18,195,499	\$11,972,982	\$0	-\$326,536	\$0	\$3,092,171	\$1,673,233	\$0	\$34,607,348
4	2015-16	\$18,025,517	\$7,245,043	\$1,061,877	\$0	\$0	\$3,063,284	\$709,498	-\$223,956	\$29,881,263
5	2016-17	\$17,859,451	\$7,414,906	\$1,058,080	\$0	\$0	\$3,035,062	\$719,060	-\$206,805	\$29,879,755
6	2017-18	\$17,616,066	\$7,580,870	\$1,135,501	\$0	\$0	\$2,993,701	\$725,057	-\$189,182	\$29,862,013
7	2018-19	\$17,382,096	\$7,824,170	\$1,126,172	\$0	\$0	\$2,953,939	\$738,786	-\$164,776	\$29,860,386
8	2019-20	\$17,128,454	\$8,058,072	\$1,145,911	\$0	\$0	\$2,910,835	\$750,718	-\$141,084	\$29,852,907
9	2020-21	\$17,509,919	\$8,311,660	\$510,859	\$0	\$0	\$2,975,662	\$793,299	-\$119,988	\$29,981,410
10	2021-22	\$17,259,577	\$7,991,762	\$1,081,098	\$0	\$0	\$2,933,118	\$749,917	-\$148,302	\$29,867,171
11	2022-23	\$16,940,344	\$8,241,289	\$1,150,804	\$0	\$0	\$2,878,867	\$760,480	-\$122,659	\$29,849,126
12	2023-24	\$16,711,913	\$8,481,220	\$1,139,304	\$0	\$0	\$2,840,048	\$774,044	-\$98,680	\$29,847,849
13	2024-25	\$16,492,196	\$8,711,941	\$1,128,300	\$0	\$0	\$2,802,709	\$787,082	-\$75,626	\$29,846,602
14	2025-26	\$16,280,843	\$8,933,824	\$1,117,770	\$0	\$0	\$2,766,791	\$799,614	-\$53,457	\$29,845,385
15	2026-27	\$16,077,519	\$9,147,223	\$1,107,695	\$0	\$0	\$2,732,238	\$811,660	-\$32,140	\$29,844,195

**Table 3--“Value Limitation Revenue Model”--Project Value Added with Value Limit**

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2012-13	\$10,799,100	\$14,927,904	\$605,433	\$0	\$0	\$1,835,215	\$1,738,586	\$0	\$29,906,239
2	2013-14	\$13,417,448	\$14,598,558	\$0	\$0	\$0	\$2,280,181	\$2,033,394	\$0	\$32,329,582
3	2014-15	\$11,014,640	\$11,972,982	\$3,344,815	\$0	\$0	\$1,871,844	\$1,012,891	\$0	\$29,217,172
4	2015-16	\$11,013,563	\$13,683,055	\$1,635,819	\$0	\$0	\$1,871,662	\$1,408,827	\$0	\$29,612,926
5	2016-17	\$11,012,491	\$13,691,865	\$1,628,081	\$0	\$0	\$1,871,479	\$1,411,012	\$0	\$29,614,928
6	2017-18	\$11,011,421	\$13,700,766	\$1,620,250	\$0	\$0	\$1,871,297	\$1,413,224	\$0	\$29,616,958
7	2018-19	\$11,010,355	\$13,718,476	\$1,603,606	\$0	\$0	\$1,871,116	\$1,417,770	\$0	\$29,621,323
8	2019-20	\$11,009,292	\$13,735,861	\$1,587,285	\$0	\$0	\$1,870,936	\$1,422,243	\$0	\$29,625,616
9	2020-21	\$11,633,259	\$13,756,086	\$943,092	\$0	\$0	\$1,976,974	\$1,508,535	\$0	\$29,817,945
10	2021-22	\$11,615,760	\$13,212,484	\$1,504,194	\$0	\$0	\$1,974,000	\$1,359,899	\$0	\$29,666,335
11	2022-23	\$16,940,344	\$13,247,555	\$0	-\$2,029,523	\$0	\$2,878,867	\$1,996,495	\$0	\$33,033,738
12	2023-24	\$16,711,913	\$8,481,220	\$1,139,304	\$0	\$0	\$2,840,048	\$774,044	-\$98,680	\$29,847,849
13	2024-25	\$16,492,196	\$8,711,941	\$1,128,300	\$0	\$0	\$2,802,709	\$787,082	-\$75,626	\$29,846,602
14	2025-26	\$16,280,843	\$8,933,824	\$1,117,770	\$0	\$0	\$2,766,791	\$799,614	-\$53,457	\$29,845,385
15	2026-27	\$16,077,519	\$9,147,223	\$1,107,695	\$0	\$0	\$2,732,238	\$811,660	-\$32,140	\$29,844,195

**Table 4 – Value Limit less Project Value with No Limit**

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2012-13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2014-15	-\$7,180,860	\$0	\$3,344,815	\$326,536	\$0	-\$1,220,326	-\$660,342	\$0	-\$5,390,176
4	2015-16	-\$7,011,954	\$6,438,012	\$573,942	\$0	\$0	-\$1,191,622	\$699,329	\$223,956	-\$268,337
5	2016-17	-\$6,846,961	\$6,276,959	\$570,002	\$0	\$0	-\$1,163,583	\$691,952	\$206,805	-\$264,827
6	2017-18	-\$6,604,645	\$6,119,896	\$484,749	\$0	\$0	-\$1,122,403	\$688,167	\$189,182	-\$245,054
7	2018-19	-\$6,371,741	\$5,894,306	\$477,435	\$0	\$0	-\$1,082,823	\$678,985	\$164,776	-\$239,062
8	2019-20	-\$6,119,163	\$5,677,789	\$441,374	\$0	\$0	-\$1,039,900	\$671,525	\$141,084	-\$227,291
9	2020-21	-\$5,876,659	\$5,444,426	\$432,233	\$0	\$0	-\$998,688	\$715,236	\$119,988	-\$163,465
10	2021-22	-\$5,643,817	\$5,220,722	\$423,095	\$0	\$0	-\$959,119	\$609,982	\$148,302	-\$200,836
11	2022-23	\$0	\$5,006,266	-\$1,150,804	-\$2,029,523	\$0	\$0	\$1,236,016	\$122,659	\$3,184,613
12	2023-24	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2024-25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2026-27	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Table 5 - Estimated Financial impact of the TPCO America Corporation Project Property Value Limitation Request Submitted to G-PISD at \$1.1700 M&O Tax Rate**

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
1	2012-13	\$252,580	\$252,580	\$0	\$2,955	\$2,955	\$0	\$0	\$0	\$0	\$0
2	2013-14	\$264,341,704	\$264,341,704	\$0	\$3,092,798	\$3,092,798	\$0	\$0	\$0	\$0	\$0
3	2014-15	\$738,050,080	\$20,000,000	\$718,050,080	\$8,635,186	\$234,000	\$8,401,186	\$0	\$8,401,186	-\$5,390,176	\$3,011,010
4	2015-16	\$721,160,320	\$20,000,000	\$701,160,320	\$8,437,576	\$234,000	\$8,203,576	\$408,400	\$8,611,975	-\$268,337	\$8,343,639
5	2016-17	\$704,661,790	\$20,000,000	\$684,661,790	\$8,244,543	\$234,000	\$8,010,543	\$408,400	\$8,418,943	-\$264,827	\$8,154,116
6	2017-18	\$680,431,540	\$20,000,000	\$660,431,540	\$7,961,049	\$234,000	\$7,727,049	\$408,400	\$8,135,449	-\$245,054	\$7,890,395
7	2018-19	\$657,142,240	\$20,000,000	\$637,142,240	\$7,688,564	\$234,000	\$7,454,564	\$408,400	\$7,862,964	-\$239,062	\$7,623,901
8	2019-20	\$631,885,720	\$20,000,000	\$611,885,720	\$7,393,063	\$234,000	\$7,159,063	\$408,400	\$7,567,463	-\$227,291	\$7,340,172
9	2020-21	\$607,636,570	\$20,000,000	\$587,636,570	\$7,109,348	\$234,000	\$6,875,348	\$408,400	\$7,283,748	-\$163,465	\$7,120,283
10	2021-22	\$584,353,480	\$20,000,000	\$564,353,480	\$6,836,936	\$234,000	\$6,602,936	\$408,400	\$7,011,335	-\$200,836	\$6,810,500
11	2022-23	\$561,996,580	\$561,996,580	\$0	\$6,575,360	\$6,575,360	\$0	\$0	\$0	\$0	\$0
12	2023-24	\$540,527,890	\$540,527,890	\$0	\$6,324,176	\$6,324,176	\$0	\$0	\$0	\$0	\$0
13	2024-25	\$519,910,960	\$519,910,960	\$0	\$6,082,958	\$6,082,958	\$0	\$0	\$0	\$0	\$0
14	2025-26	\$500,110,960	\$500,110,960	\$0	\$5,851,298	\$5,851,298	\$0	\$0	\$0	\$0	\$0
15	2026-27	\$481,094,500	\$481,094,500	\$0	\$5,628,806	\$5,628,806	\$0	\$0	\$0	\$0	\$0
					\$95,864,616	\$35,430,352	\$60,434,264	\$2,858,798	\$63,293,062	-\$6,999,047	\$56,294,015

**Tax Credit for Value Over Limit in First 2 Years**

	Year 1	Year 2	Max Credits
	\$0	\$2,858,798	\$2,858,798
Credits Earned			\$2,858,798
Credits Paid			<u>\$2,858,798</u>
Excess Credits Unpaid			\$0

# Attachment 3

## San Patricio County

### Population

Total county population in 2009 for San Patricio County: 68,223, down 0.2 percent from 2008. State population increased 2.0 percent in the same time period. San Patricio County was the state's 50th largest county in population in 2009 and the 190th fastest growing county from 2008 to 2009. San Patricio County's population in 2009 was 42.4 percent Anglo (below the state average of 46.7 percent), 1.9 percent African-American (below the state average of 11.3 percent) and 53.6 percent Hispanic (above the state average of 36.9 percent). 2009 population of the largest cities and places in San Patricio County:

<b>Portland:</b>	16,450	<b>Ingleside:</b>	8,992
<b>Aransas Pass:</b>	8,754	<b>Sinton:</b>	5,303
<b>Mathis:</b>	5,246	<b>Taft:</b>	3,303
<b>Odem:</b>	2,495	<b>Gregory:</b>	2,177
<b>Ingleside on the Bay:</b>	681	<b>Lake City:</b>	512

### Economy and Income

#### Employment

April 2011 total employment in San Patricio County: 28,656, up 0.9 percent from April 2010. State total employment increased 1.3 percent during the same period.

April 2011 San Patricio County unemployment rate: 9.2 percent, down from 10.5 percent in April 2010. The statewide unemployment rate for April 2011 was 8.0 percent, down from 8.2 percent in April 2010.

April 2011 unemployment rate in the city of: NA

**(Note: County and state unemployment rates are adjusted for seasonal fluctuations, but the Texas Workforce Commission city unemployment rates are not. Seasonally-adjusted unemployment rates are not comparable with unadjusted rates).**

#### Income

San Patricio County's ranking in per capita personal income in 2009: 121st with an average per capita income of \$33,068, down 1.3 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

#### Industry

Agricultural cash values in San Patricio County averaged \$69.54 million annually from 2006 to 2009. County total agricultural values in 2009 were down 88.2 percent from 2008. Major agriculture related commodities in San Patricio County during 2009 included:

Other Crop	Hay	Cotton	Other Beef	Fishing
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2010 oil and gas production in San Patricio County: 359,175.0 barrels of oil and 16.6 million Mcf of gas. In February 2011, there were 165 producing oil wells and 207 producing gas wells.

### Taxes

#### Sales Tax - Taxable Sales

*Quarterly (June 2010 through September 2010)*

Taxable sales in San Patricio County during the third quarter 2010: \$105.64 million, up 7.5 percent from the same quarter in 2009.

Taxable sales during the third quarter 2010 in the city of:

<b>Portland:</b>	\$31.89 million, up 6.6 percent from the same quarter in 2009.
<b>Ingleside:</b>	\$5.83 million, down 13.6 percent from the same quarter in 2009.
<b>Aransas Pass:</b>	\$29.83 million, down 4.6 percent from the same quarter in 2009.
<b>Sinton:</b>	\$7.84 million, up 11.5 percent from the same quarter in 2009.
<b>Mathis:</b>	\$7.32 million, up 24.9 percent from the same quarter in 2009.
<b>Taft:</b>	\$2.26 million, down 1.2 percent from the same quarter in 2009.
<b>Odem:</b>	\$2.09 million, unchanged 0.0 percent from the same quarter in 2009.
<b>Gregory:</b>	\$20.79 million, up 189.2 percent from the same quarter in 2009.
<b>Ingleside on the Bay:</b>	\$232,888.00, up 23.3 percent from the same quarter in 2009.

*Annual (2009)*

Taxable sales in San Patricio County during 2009: \$433.76 million, down 7.0 percent from 2008.

San Patricio County sent an estimated \$27.11 million (or 0.10 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2009. Taxable sales during 2009 in the city of:

<b>Portland:</b>	\$126.55 million, up 3.3 percent from 2008.
<b>Ingleside:</b>	\$26.71 million, down 5.4 percent from 2008.
<b>Aransas Pass:</b>	\$128.58 million, down 3.3 percent from 2008.
<b>Sinton:</b>	\$29.20 million, down 1.6 percent from 2008.
<b>Mathis:</b>	\$23.74 million, up 0.6 percent from 2008.
<b>Taft:</b>	\$8.77 million, down 10.6 percent from 2008.
<b>Odem:</b>	\$8.24 million, up 0.7 percent from 2008.
<b>Gregory:</b>	\$37.79 million, down 38.5 percent from 2008.
<b>Ingleside on the Bay:</b>	\$620,676.00, down 7.0 percent from 2008.

## ***Sales Tax – Local Sales Tax Allocations***

### ***Monthly***

Statewide payments based on the sales activity month of March 2011: \$600.06 million, up 5.8 percent from March 2010.

Payments to all cities in San Patricio County based on the sales activity month of March 2011: \$784,353.47, up 7.8 percent from March 2010. Payment based on the sales activity month of March 2011 to the city of:

<b>Portland:</b>	\$291,266.82, up 5.5 percent from March 2010.
<b>Ingleside:</b>	\$94,742.49, up 2.7 percent from March 2010.
<b>Aransas Pass:</b>	\$175,535.73, up 14.6 percent from March 2010.
<b>Sinton:</b>	\$87,938.23, up 5.1 percent from March 2010.
<b>Mathis:</b>	\$75,763.93, up 12.5 percent from March 2010.
<b>Taft:</b>	\$26,937.08, down 1.8 percent from March 2010.
<b>Odem:</b>	\$22,012.82, up 12.2 percent from March 2010.
<b>Gregory:</b>	\$9,094.72, up 26.2 percent from March 2010.
<b>Ingleside on the Bay:</b>	\$1,061.65, up 50.4 percent from March 2010.

### ***Annual (2010)***

Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.

Payments to all cities in San Patricio County based on sales activity months in 2010: \$7.83 million, up 1.2 percent from 2009.

Payment based on sales activity months in 2010 to the city of:

<b>Portland:</b>	\$3.17 million, up 4.6 percent from 2009.
<b>Ingleside:</b>	\$968,613.57, down 13.0 percent from 2009.
<b>Aransas Pass:</b>	\$1.57 million, up 0.4 percent from 2009.
<b>Sinton:</b>	\$806,279.08, up 1.5 percent from 2009.
<b>Mathis:</b>	\$732,091.45, up 7.8 percent from 2009.
<b>Taft:</b>	\$275,339.14, up 9.0 percent from 2009.
<b>Odem:</b>	\$203,873.79, up 3.0 percent from 2009.
<b>Gregory:</b>	\$92,187.93, up 1.7 percent from 2009.
<b>Ingleside on the Bay:</b>	\$7,847.30, down 39.8 percent from 2009.

## ***Property Tax***

As of January 2009, property values in San Patricio County: \$4.51 billion, up 0.2 percent from January 2008 values. The property tax base per person in San Patricio County is \$66,150, below the statewide average of \$85,809. About 3.8 percent of the property tax base is derived from oil, gas and minerals.

## **State Expenditures**

San Patricio County's ranking in state expenditures by county in fiscal year 2009: 58th. State expenditures in the county for FY2009: \$226.71 million, down 12.9 percent from FY2008.

In San Patricio County, 10 state agencies provide a total of 175 jobs and \$5.06 million in annualized wages (as of 3rd quarter 2010).

Major state agencies in the county (as of third quarter 2010):

- Department of Family and Protective Services
- Department of Transportation
- Parks & Wildlife Department
- Department of Aging and Disability Services
- Health & Human Services Commission

## **Higher Education**

Community colleges in San Patricio County fall 2010 enrollment:

None.

San Patricio County is in the service area of the following:

Del Mar College with a fall 2010 enrollment of 12,236. Counties in the service area include:

- Aransas County
- Kenedy County
- Kleberg County
- Nueces County
- San Patricio County

Institutions of higher education in San Patricio County fall 2010 enrollment:

None.

## **School Districts**

San Patricio County had 7 school districts with 34 schools and 14,338 students in the 2009-10 school year.

**(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)**

Aransas Pass ISD had 1,879 students in the 2009-10 school year. The average teacher salary was \$44,821. The percentage of students meeting the 2010 TAKS passing standard for all tests was 63 percent.

Gregory-Portland ISD had 4,193 students in the 2009-10 school year. The average teacher salary was \$45,281. The percentage of students meeting the 2010 TAKS passing standard for all tests was 83 percent.

Ingleside ISD had 2,150 students in the 2009-10 school year. The average teacher salary was \$46,053. The percentage of students meeting the 2010 TAKS passing standard for all tests was 72 percent.

Mathis ISD had 1,736 students in the 2009-10 school year. The average teacher salary was \$43,744. The percentage of students meeting the 2010 TAKS passing standard for all tests was 60 percent.

Odem-Edroy ISD had 1,129 students in the 2009-10 school year. The average teacher salary was \$45,781. The percentage of students meeting the 2010 TAKS passing standard for all tests was 75 percent.

Sinton ISD had 2,108 students in the 2009-10 school year. The average teacher salary was \$44,070. The percentage of students meeting the 2010 TAKS passing standard for all tests was 70 percent.

Taft ISD had 1,143 students in the 2009-10 school year. The average teacher salary was \$42,880. The percentage of students meeting the 2010 TAKS passing standard for all tests was 55 percent.